Special Feature
Passengers Distributed by Fare Increment in City-Pair Markets Under 750 Miles

When purchasing a ticket for air travel, it is important that consumers understand the degree to which airfares vary in certain city-pair markets. Passengers in markets with high average fares are generally offered a wide range of fares. In such cases, consumers that are interested in low fares need to diligently search for lower fares and be prepared to meet the conditions generally attached to such fares.

Fare disparity is an indication of an airline's ability to price discriminate, a phenomenon that was discussed in the Special Feature of the Third Quarter 1997 *Domestic Airline Fares Consumer Report.* Airlines are able to charge different fares to different travelers, based on the traveler's willingness to pay for specific services (such as a refundable ticket or the freedom to adjust travel plans at the last minute). Fare differentials, when used fairly, can increase the level of service that can be provided by an airline. However, consumers traveling in markets with high average fares should be mindful of fare differentials. While there are some seats available at low fare levels in these markets, they are generally limited in number and therefore more difficult to obtain.

Charts 1 through 8 depict the distribution of passengers across fare levels in both high-average-fare markets and markets with low average fares for different flight stage lengths. Two important trends are apparent from these charts. First, it is evident that when the average fare is low, the average fare provides reasonable guidance on the level of actual fares paid by passengers. At all eight stage lengths, passengers in markets with low average fares paid prices within the fare interval of the average fare, or in those closely surrounding that fare interval. Table 5 further supports this conclusion. In the 26 markets under 750 miles with low average fares (under $60) passengers paid fares that were comparable to the average fare. The low-fare range in all of these markets was consistently $26 to $50. The high fare range rarely exceeded the $76 to $100 interval. Unlike the set of high-fare markets, passengers travelling in these city-pair markets were far more likely to pay fares in the low end of a single large fare range.

Second, fares paid in markets with high average fares are generally widely dispersed. A greater percentage of passengers are affected by this disparity in short-haul markets. In Chart 3, for example, which covers markets in the 501 to 750 mileage range, the passenger distribution across fare intervals peaks in two places--once at $125 and again at $450. A large percentage of passengers paid fares in the more expensive of the two fare groupings. In these instances, the average fare is not comparable to many of the exact fares paid, but rather falls somewhere between the two peaks. While the bimodal distribution of fares continues to exist as stage length increases, it becomes less and less pronounced in long-haul markets. The more even distribution of passengers across all fare levels in the long-haul markets is perhaps due to more competition among network carriers for high-fare passengers connecting across hubs.

Table 5 illustrates the widely divergent fares paid by passengers in short-haul markets with high average fares. The Cleveland- Hartford market (average fare of $265) can be used as a typical example. The lowest significant fare interval for Continental's traffic in this market was $76 to

$100, with 13 percent of passengers paying fares in this range. At the high end, 40 percent of Continental passengers paid between $401 and $425. This example demonstrates a pattern that is apparent in almost all of the under 750-mile markets with high average fares-- many passengers pay in excess of four times the fare amount paid by some passengers. Often a far greater percentage of travelers in these markets are paying fares at the high end of the fare distribution, rather than the low end. Passengers in high-average-fare markets must be more aware of the variance in fares that are charged in order to obtain a satisfactory price.

Chart 1 shows the passenger distribution across fare intervals for city-pair markets in the under 250 mile distance range with average fares of $60 or less, and average fares of $200 or more. There are 8 city-pairs in the former category, and 7 city-pairs in the latter. Almost 600,000 passengers traveled in the 8 city-pairs with the low average fares, at an overall average fare of $56 and an average passenger trip length of 206 miles. As can be seen on the chart, travelers in these markets are clustered in the fare intervals immediately surrounding the average fare. Just over 150,000 passengers traveled in the 7 high average fare markets at an overall average fare of $246 and an average passenger trip length of 209 miles. Passengers were widely dispersed across all fare levels, with at least sixty-two percent of the passengers flying at fares above the average fare. Seventeen percent of passengers in the high average fare markets paid less than $125 --approximately half of the average fare or less.

Chart 2 shows the passenger distribution across fare intervals for city-pair markets in the 251 to 500 mile distance range with average fares of $60 or less, and average fares of $200 or more. There are 18 city-pairs in the former category, and 59 city-pairs in the latter. Over 1.9 million passengers traveled in the 18 city-pairs with the low average fares, at an overall average fare of $58 and an average passenger trip length of 361 miles. The vast majority of passengers in these markets are paying fares that fall within the intervals immediately surrounding the average fare. Approximately 1.6 million passengers traveled in the 59 high average fare markets at an overall average fare of $238 and an average passenger trip length of 410 miles. Fifty percent of the passengers in those markets flew at fares above the average fare. Twenty percent of the passengers in those markets flew for under $100-- less than half of the average fare.

Chart 3 shows the passenger distribution across fare intervals for city-pair markets in the 501 to 750 mile distance range with average fares of $100 or less, and average fares of $200 or more. There are 40 city-pairs in the former category, and 67 city-pairs in the latter. The low fare range was extended for this category because there were no markets of this stage length with fares under $60. Well over two million passengers traveled in the 40 city-pairs with the low average fares, at an overall average fare of $89 and an average passenger trip length of 620 miles. Approximately the same number of passengers traveled in the 67 high average fare markets at an overall average fare of $259 and an average passenger trip length of 657 miles. Over 45 percent of the passengers in these markets fly at fares above the average fare. Twenty-eight percent of the passengers in the high-average-fare markets paid less than $125 --less than half of the average fare.

Chart 4 shows the passenger distribution across fare intervals for city-pair markets in the 751 to 1000 mile distance range with average fares of $125 or less, and average fares of $250 or more. There are 43 city-pairs in the former category, and 34 city-pairs in the latter. In the 43 city-pairs

with the low average fares, 1.7 million passengers paid an overall average fare of $112 and the average passenger trip length was 860 miles. Approximately 500,000 fewer passengers traveled in the 34 high average fare markets at an overall average fare of $250and an average passenger trip length of 876 miles.

Chart 5 shows the passenger distribution across fare intervals for city-pair markets in the 1,001 to 1,500 mile distance range with average fares of $150 or less, and average fares of $275 or more. There are 74 city-pairs in the former category, and 29 city-pairs in the latter. In the 79 city-pairs with the low average fares, 3.3 million passengers paid an overall average fare of $132 and the average passenger trip length of 1,137 miles. Approximately 1.3 million passengers traveled in the 29 high average fare markets at an overall average fare of $324 and an average passenger trip length of 1,258 miles.

Chart 6 shows the passenger distribution across fare intervals for city-pair markets in the 1501 to 2000 mile distance range with average fares of $175 or less, and average fares of $300 or more. There are 29 city-pairs in the former category, and 26 city-pairs in the latter. One million passengers traveled in the 29 city-pairs with the low average fares, at an overall average fare of $152 and an average passenger trip length of 1,691 miles. Approximately the same number of passengers traveled in the 26 high average fare markets at an overall average fare of $339 and an average passenger trip length of 1,776 miles.

Chart 7 shows the passenger distribution across fare intervals for city-pair markets in the 2,001 to 2,500 mile distance range with average fares of $200 or less, and average fares of $375 or more. There are 10 city-pairs in the former category, and 14 city-pairs in the latter. Approximately 360,000 passengers traveled in the 10 city-pairs with the low average fares, at an overall average fare of $173 and an average passenger trip length of 2,213 miles. Approximately 489,000 passengers traveled in the 14 high average fare markets at an overall average fare of $410 and an average passenger trip length of 2,391 miles.

Chart 8 shows the passenger distribution across fare intervals for city-pair markets with a stage length greater than 2,500, and average fares of either under $201 or over $449. There are 5 city-pairs in the former category, and 4 city-pairs in the latter. 452,000 passengers traveled in the 5 city-pairs with the low average fares, at an overall average fare of $194 and an average passenger trip length of 2,571 miles. Approximately 4.2 million passengers traveled in the 4 high-average-fare markets at an overall average fare of $463 and an average passenger trip length of 2,648 miles.

Chart 1

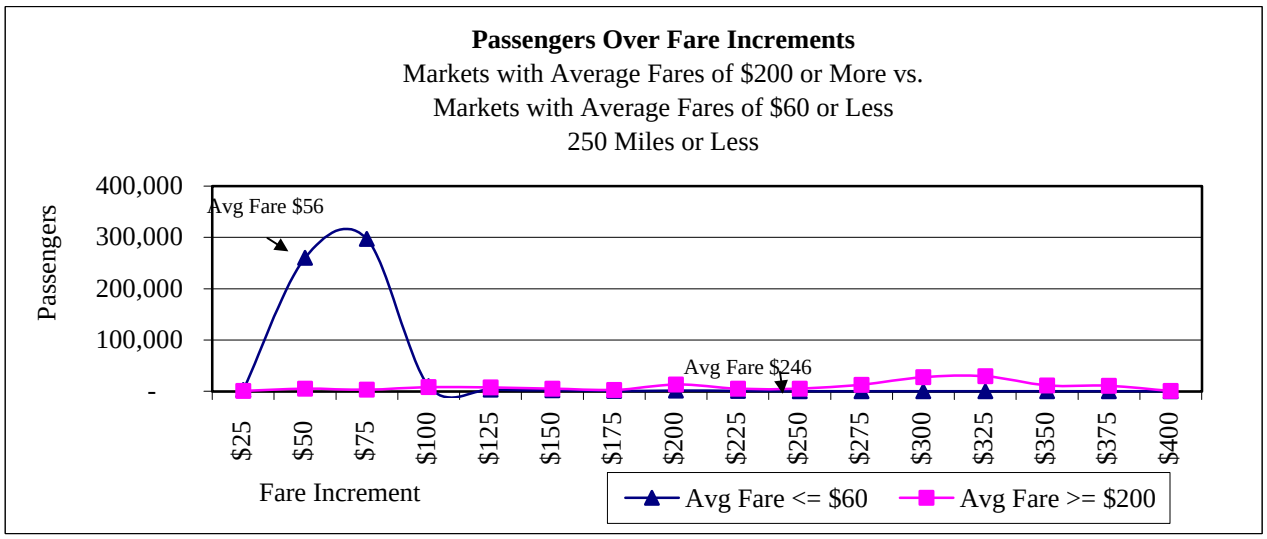

Chart 2

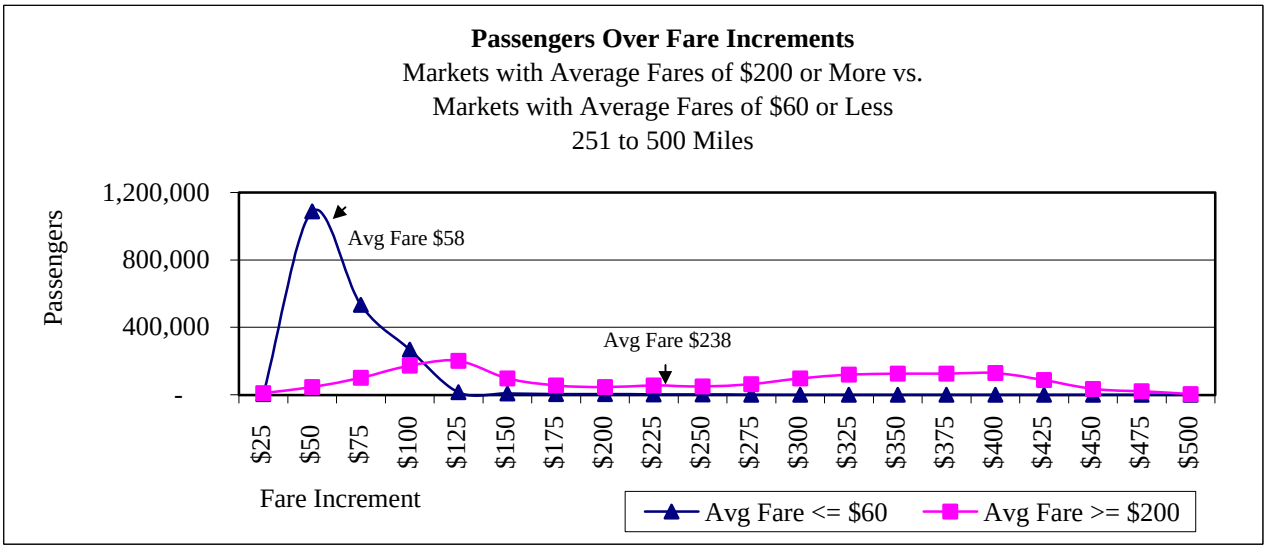

Chart 3

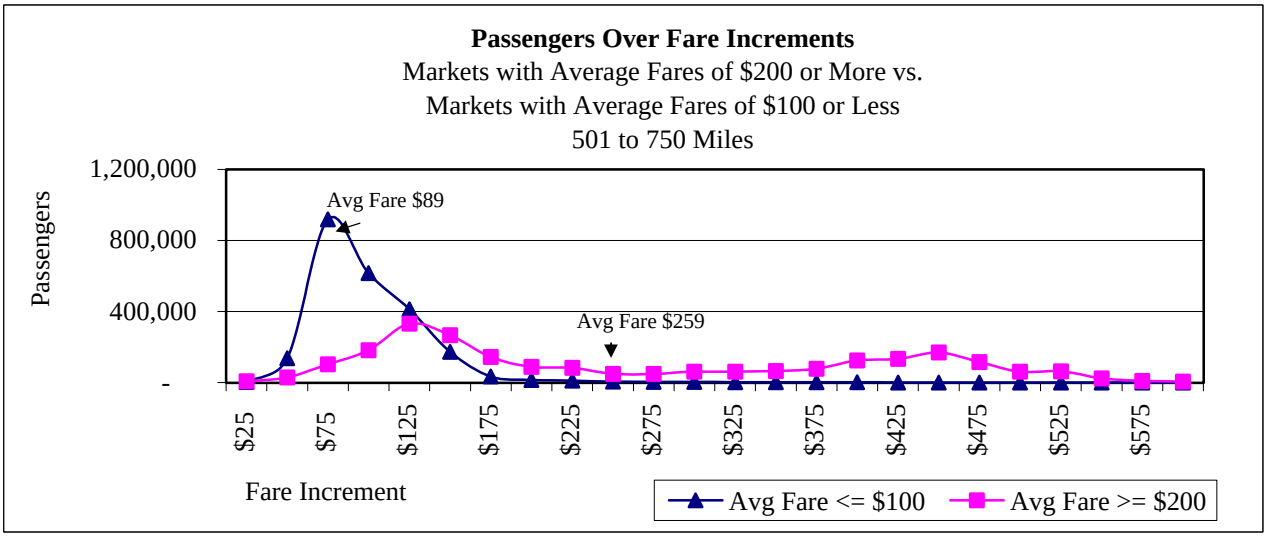

Chart 4

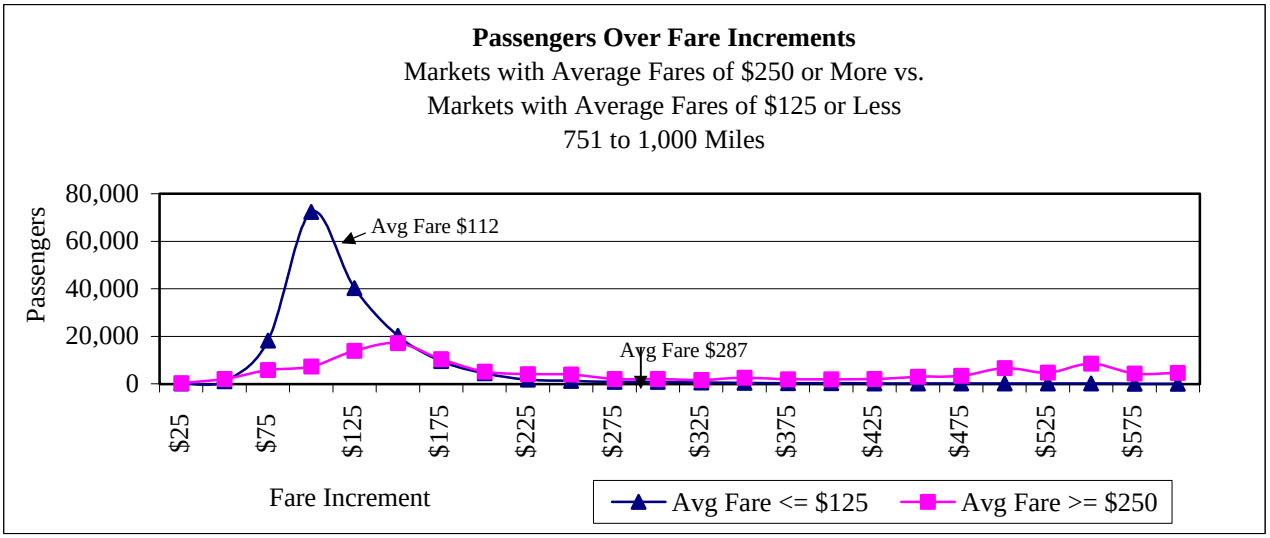

Chart 5

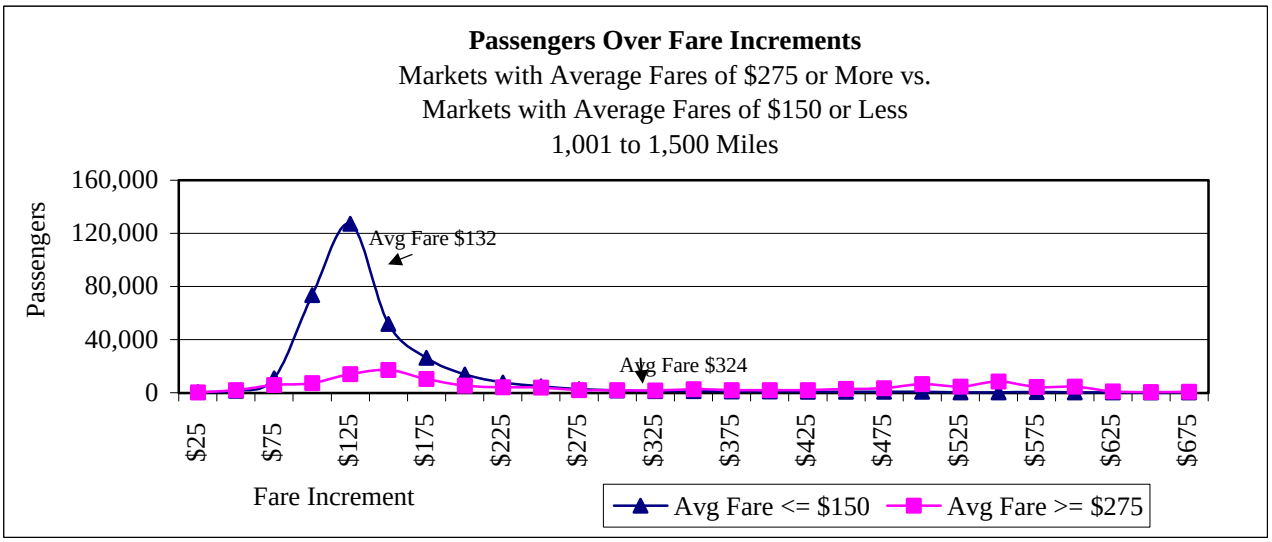

Chart 6

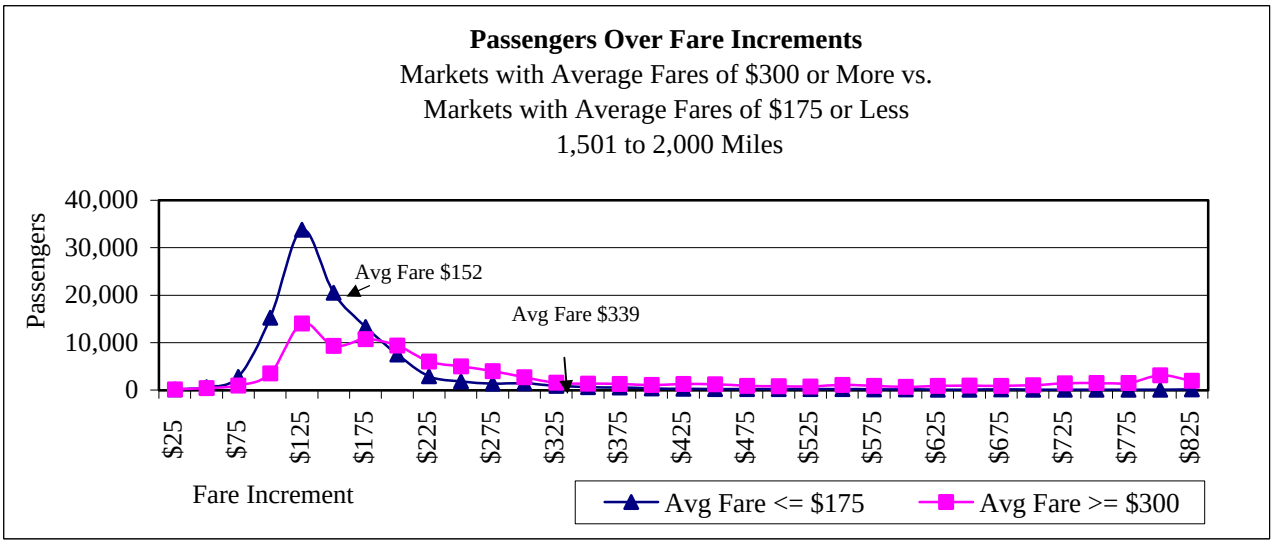

Chart 7

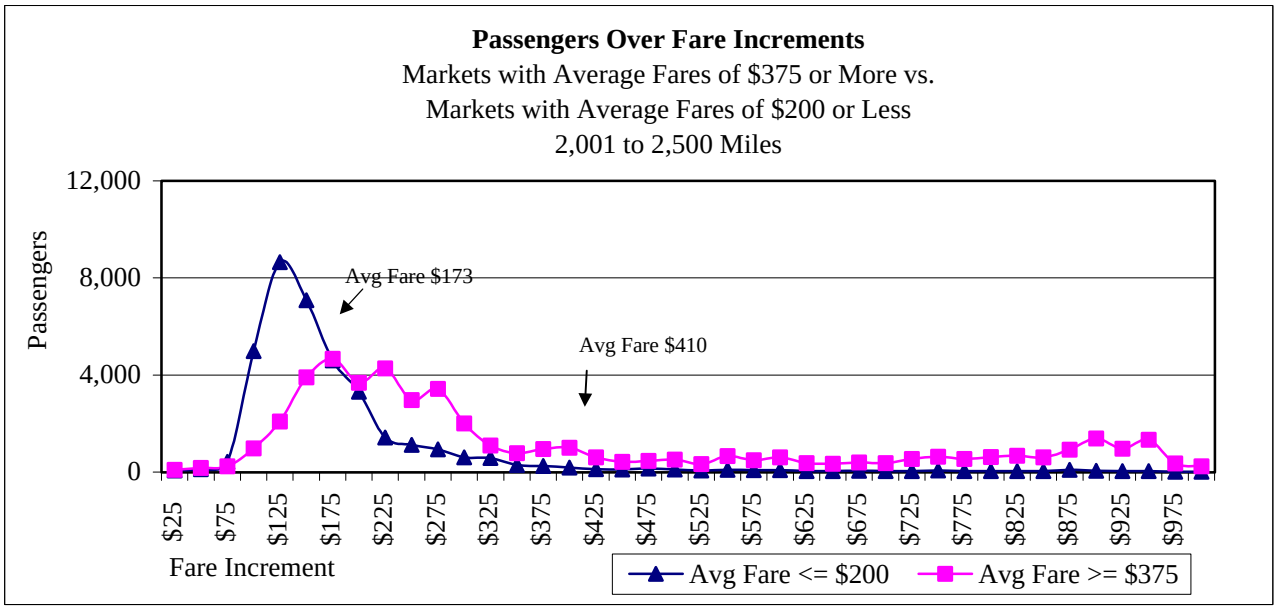

Chart 8